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Illinois caps consumer loans at 36% APR

Illinois Gov. J.B. Pritzker signed a bill into law on March 23 that caps interest rates at 36% on consumer loans, including payday advances and car loans. The Illinois General Assembly passed the legislation, the Predatory Loan Prevention Act, in January and the measure took effect upon Pritzker's signature.

Introduced by the Illinois Legislative Black Caucus, the newly signed Public Act 101-0658 is modeled on the Military Lending Act, a federal law that protects service members and their dependents through a range of safeguards, including capping interest rates on most consumer loans at 36%. The MLA finance charge cap applies only to active-duty service members and their dependents, but the legislation effectively extends the limit to all consumer loans.

Prior to the legislation, the average

annual percentage rate for a payday loan in Illinois was 297%, while auto title loans averaged APRs of about 179%, according to the Woodstock Institute, an organization that supported the legislation.

Under the definition of Military APR, also known as "All-In APR," certain fees, such as extended service contracts, GAP insurance and other add-ons are reclassified as part of the finance charge. Even at new-car dealerships, the cumulative APR can approach 36%. New legislation is being considered to amend the PLPA, to make it consistent with federal law and the federal Truth-in-Lending Act (rather than the Military Lending Act).

But under the law Pritzker signed, any loan made in excess of a 36%

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Bill to increase repair booked times advances

The full Illinois House is debating a measure that would increase the booked time of repairs of vehicles under manufacturer warranty, after House Bill 3940 passed out of the chamber's Labor & Commerce Committee on a 21-2 vote March 24.

Dealers and their technicians should prepare to contact their representatives and urge support of the bill. State lawmakers are in recess until April 12.

The legislation would amend the Illinois Motor Vehicle Franchise Act to define and expand upon how vehicle manufacturers are required to compensate franchised dealers for labor and parts associated with warranty work. It also would make changes to manufacturer calculations for time allowances

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CATA, IADA sue Ill. secretary of state over manufacturer-direct sales

The state's two leading dealer associations have filed suit against the Illinois secretary of state's office and two vehicle manufacturers that intend to sell new vehicles directly to consumers, rather than employing a franchised dealer network.

Officials of the Chicago Automobile Trade Association and the Illinois Automobile Dealers Association said they were forced to seek remedy in the courts

after Secretary of State Jesse White's office "turned a blind eye" to unlicensed and unregulated vehicle sales by Rivian Automotive, and potential future sales by Lucid U.S.A. State law requires new-vehicle retail sales to be conducted by licensed franchised dealers, not directly by manufacturers.

"We have no choice but to file this lawsuit, both to protect consumers as well as the hundreds of franchised deal-

ers across the state who contribute to the local economy," said Pete Sander, president of the IADA. "We warned the secretary of state's office that consumers will be the losers if it does not enforce the laws it is required to enforce."

More than 300 Illinois dealers have signed on as plaintiffs in the case. Additional dealers can [join here](#).

SEE **SALES**, PAGE 4

Advisors seeing continued demand for dealership acquisitions

High demand for dealership acquisitions is continuing in 2021, according to firms that broker buy-sells.

“We are well on pace to exceed our record activity in 2020 of the sale of 37 dealership franchises, including the largest strategic transaction from a price perspective in history,” said George Karolis, president of the Presidio Group.

Karolis is referring to last year’s \$735 million acquisition by Asbury Automotive Group of most of the Dallas-based Park Place Dealerships, representing additional annual revenue of about \$1.7 billion. The Presidio Group advised Park Place in the deal.

In 2021, Karolis and his competitors expect keen

demand for dealerships to continue, led by publicly traded new-vehicle dealership groups such as Asbury and Lithia Motors, which have announced huge acquisition targets in the next few years.

“Our 2021 closings to date and pipeline are a leading indicator for Presidio of heightened buy-sell activity and another expected record year for our firm,” Karolis said in an email.

Erin Kerrigan, founder and managing director of Kerrigan Advisors, said recently that she also expects another record year.

“Inertia is increasingly considered to be a bad strategy,” she said during a recent webinar hosted by the American International

Automobile Dealers Association. “Dealers feel they either need to commit to growth or sell their business.”

There were 289 buy-sell dealership transactions in 2020, up 24% from 2019, Kerrigan wrote in her quarterly Blue Sky Report summarizing the year and the fourth quarter of 2020.

Cliff Banks, president of Banks Media Enterprises and creator of The Banks Report on dealership buy-sells, agrees demand is high for dealerships. “Q1 was as active as we’ve seen the market since the Great Recession,” Banks said.

For all the talk about “disruptors” such as Tesla and Rivian supposedly shaking up auto retail, Banks

said Wall Street investors seem to have latched onto the more traditional, franchised new-car networks. That’s driving stock prices higher for publicly traded new-car retailers. In turn, that generates the means for the public groups to make more acquisitions, he said.

However, Banks said he’s not convinced 2020 was a record year, statistically.

According to Banks, there were 226 transactions in 2020, representing 357 dealership “rooftops.” That’s an increase of just three transactions compared with 223 in 2019. And by Banks’ reckoning, 2019 was down from 251 transactions in 2018.

Loans

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APR would be considered null and void, and no entity has the “right to collect, attempt to collect, receive, or retain any principal, fee, interest, or charges related to the loan.” Each violation provides for a fine of up to \$10,000.

With its passage, Illinois joins 17 other states and Washington, D.C., in imposing a 36% rate cap on payday loan interest rates and fees, according to the Center for Responsible Lending.

But some organizations, including the Illinois Small Loan Association, have already expressed concern with the broad nature of the bill and its potential to completely eliminate access to small consumer loans within the state.

Steve Brubaker, who lobbies for the loan association, said high APRs can be misleading since the average fee (including interest) for a typical two-week payday loan comes out to about \$15 for each \$100 borrowed.

The Online Lenders Alliance said upon Pritzker’s action that it was disappointed the governor had signed the legislation, saying it was a “bad bill” for residents of the state of Illinois.

“Now is not the time to reduce credit access. Consumers in Illinois are struggling, and elected officials should be

working to ensure that all consumers have options to deal with unforeseen or irregular expenses,” said Mary Jackson, the alliance’s chief executive. “Sadly, this bill eliminates many of those options for those who need them most.”

Still, advocates of the bill say it can help limit predatory lending. More than 200 million Americans live in states that allow payday lending without heavy restrictions, according to the CRL. And the loans are easy to obtain. Typically, consumers simply need to visit a lender with a valid ID, proof of income and a bank account to get a payday loan. The balance of the loans usually is due two weeks later.

Yet the high interest rates and short turnaround can make the loans expensive and difficult to pay off.

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In hard times, dealers turn to advocacy

By STEVE GATES

2021 AIADA CHAIRMAN

No question about it, auto retailing today, amidst a pandemic, is more complicated, challenging, and potentially rewarding than ever before. In times like these, when our businesses require every ounce of our focus, it's easy to turn inward. To put blinders on and focus only on the job in front of you, the stuff that HAS to get done.

That's why I'm so impressed with the auto dealers among us who have instead turned outward and broadened their gaze to include not just what needs to be done in a crisis but what CAN be done. The dealers who developed innovative online sales teams overnight. Who turned their lots into food banks. The dealers who didn't shrink in the face of adversity, but grew.

As the AIADA chairman, I'm especially heartened to see so many of

our members reaching out to Washington, D.C., this spring. The public perception of Congress couldn't be lower, and the challenges of meeting with a legislator at the moment are many, so it's gratifying to see so many dealers overcoming those hurdles to get to know their representative and, more importantly, help them get to know their employees and store. That outreach, taking 30 minutes to give a tour and having some employees engage in a quick Q&A might not seem like much, but it could very well be the first introduction a newly elected member of Congress has to an auto retailer.

Your effort, and your time, could make the difference in how a lawmaker views small businesses in their district.

Just ask Peter Lustgarten, principal of Concordville Subaru in Glen Mills, Pennsylvania, who hosted Rep. Mary Scanlon (D-Pa.) in October 2019 and

will host her again this May. Or GM Geoff Yeager of Toyota of Lancaster in Lancaster, California, who hosted Rep. Mike Garcia (R-California) in October 2020.

These folks allowed the AIADA to arrange in-person meetings, but we are just as happy to set up a virtual event at your store. To get the ball rolling, just tell us that you want to host an event. We'll handle all the logistics from there.

The AIADA is, by its very nature, an organization populated by members who turn outward in hard times. When others equivocate, we seize an opportunity. We're the dealers who have never been satisfied by the status quo and have always had to fight to get a fair shake for our stores and brands.

A pandemic won't stop us, and the growing numbers of Dealer Visit reports coming across my desk are just more proof of that.

Dealership sidesteps cleaning supply company's solicitation dressed as invoice

A Cook County dealership in March reported receiving paperwork from a Florida company which sells cleaning supplies with indications of product orders to the company worth more than \$1,100.

The dealership said it never ordered the supplies from Nationwide Chemicals, in West Palm Beach, Florida, and that it has never purchased from the company. And while both pieces of the paperwork are stamped "Order

Form" in the top right corner, both just as easily resembled invoices that needed to be paid.

The Illinois attorney general's office reports that businesses and government agencies have received invoices for expensive chemical products, such as cleaning supplies. When some businesses tried to send the product back, the senders refused the shipments.

Federal law prohibits any mailing which is "in the form of, and reasonably could be in-

terpreted or construed as, a bill, invoice, or statement of account due" but is, in fact, "a solicitation for the order by the addressee of goods or services," unless the mailing includes the following notice:

"This is a solicitation for the order of goods or services, or both, and not a bill, invoice, or statement of account due. You are under no obligation to make any payments on account of this offer unless you accept this offer."

Repairs

FROM PAGE 1

for repair work, and guarantee compensation for vehicles under warranty equal to work performed out of warranty.

Mechanics Local 701, the union representing area technicians at dealerships, is working with the CATA to advance the legislation. Technicians say many warranty jobs just can't be performed in the booked time allowance, meaning they sometimes work without compensation.

Under House Bill 3940: "Adequate and fair compensation

requires the manufacturer to pay each dealer no less than the amount the retail customer pays for the same services with regard to rate and time. Any time guide previously agreed to by the manufacturer and the dealer for extended warranty repairs may be used in lieu of actual time expended. In the event that a time guide has not been agreed to for warranty repairs, or said time guide does not define time for an applicable warranty repair, the manufacturer's time guide shall be used, multiplied by 1.5."

Dealers learning how to sell EVs, the industry's future

Car dealer Brad Sowers is spending money to prepare for the coming wave of new electric models from General Motors. He is installing charging stations, upgrading service bays and retraining staff at his St. Louis-area dealership to handle the technology-packed vehicles.

But when he considers how many plug-in Chevy Bolts he sold last year — nine, out of the nearly 4,000 Chevrolets sold at his Missouri dealerships — it gives him pause.

“The consumer in the middle of America just isn't there yet,” when it comes to switching to electric vehicles, he said, citing the long distances many of his customers drive daily and a lack of charging infrastructure outside major cities.

As auto executives and investors buzz about the coming age of the electric car, many dealers say they are struggling to square that enthusiasm with the reality today on new-car sales lots, where battery-powered vehicles in 2020 made up fewer than 2% of U.S. auto sales.

Most consumers who come to showrooms aren't shopping for electric cars, and with gasoline prices relatively low, even hybrid models can be a tough sell, dealers and industry analysts say.

Automakers are moving aggressively to ex-

pand their electric-vehicle offerings with dozens of new models set to arrive in coming years. Some, like GM, are setting firm targets for when they plan to phase out gas-powered cars entirely.

Many dealers say that puts them in a delicate spot: They are trying to adjust, but remain unsure whether and how fast customers will actually make the switch. About 180 Cadillac dealers, or roughly 20%, decided to give up their franchises rather than invest in costly upgrades that GM has required to sell electric cars. A GM spokesman said the company expected some Cadillac dealers to opt out and is pleased that the roughly 700 remaining share its all-electric goals.

Past attempts by car companies to expand electric-car sales have largely flopped, saddling retailers with unsold inventory. Even now, some dealers say they are reluctant to stock electric models en masse.

“The biggest challenge is that dealers have a bit of ‘boy who cried wolf’ syndrome,” said Massachusetts dealer Chris Lemley.

Car companies have promised for years to make electric cars mainstream but produced only low-volume, niche models, he said. He recalls Ford rolling out an all-electric Focus that sold poorly and stacked up on his lot.

Sales

FROM PAGE 1

At issue are the benefits to consumers and to the Illinois economy generated by more than 700 dealers operating 2,300 franchises across the state. Those benefits include:

Consumer protection. Dealers maintain service centers with trained staff to perform all recall and warranty repairs, where the dealers act as advocates for the consumers with the manufacturers.

Availability of parts and service.

Dealers maintain an inventory of parts and provide timely service to consumers who depend on the daily use of their vehicles.

Price competition. Consumers have many choices, with the competition among dealers saving buyers money. Direct sales from manufacturers result in a monopoly that offers no price benefit.

Community benefits. The franchised dealers are long-established local businesses that generate millions of dollars of revenue and economic development.

In Memoriam

Norman Kraus, 87, whose Mopar fans knew simply as “Mr. Norm,” as he and his dealership were synonymous with Dodge performance in the 1960s, died Feb. 26.

Mr. Kraus founded Chicago's Grand Spaulding Dodge in 1962, just as the muscle car era was set to explode. The strategy was to focus on performance, and Grand Spaulding Dodge quickly became the Mopar community's prime source for all manner of go-fast parts. He would champion Dodge performance both on the street and at NHRA dragstrips.

As the muscle car era waned, Mr. Kraus sold Grand Spaulding Dodge in 1977, and the dealership closed for good in the 1980s. Mr. Norm still made the scene over the next several decades, appearing at car shows, races, and various automotive events.

Survivors include a daughter, Lori; sons Lee and Lyle; eight grandchildren; and four great-grandchildren. Memorials appreciated to the Wounded Warrior Project.

Congratulations!

Highland Park Ford, McCarthy Ford (Chicago), and **River View Ford** (Oswego) are among the 2020 winners of Ford Credit's Partners in Quality award for achieving high customer satisfaction and loyalty.

McGrath Acura of Westmont was named a member of Acura's 2020 Precision Team, making the dealership a 19-year recipient of the award, and **Arlington Acura in Palatine** became a 10-year recipient of the award.

Honda's 2020 President's Award winners include **Continental Honda** in Naperville and **Valley Honda** in Aurora. It was Continental's fifth consecutive win.

Muller's Woodfield Acura is a gold medal winner of the Acura Environmental Leadership Award for reducing its energy consumption by 30%.

‘Driven to Care’ scholarships to benefit students pursuing automotive careers

The family of renowned automotive enthusiast, racer, and entrepreneur John Weinberger has teamed with the TechForce Foundation to offer a series of scholarships to benefit students who aspire to follow in his footsteps. Applications must be submitted by April 30.

The John Weinberger Driven to Care Legacy Scholarships support students with awards of up to \$10,000 across a broad spectrum of automotive career disciplines:

Automotive Engineering; Vintage Automotive Restoration; Automotive Dealership Management, Marketing and Communications; and Automotive Technician.

The scholarship offerings reflect the interests, experiences, and expertise of the late John F. Weinberger, who lived in Naperville and in Austin, Texas. He was a legendary force in automotive circles who built Continental Motors Group — one of the nation’s largest dealership groups — and enjoyed a lifetime of driving, racing, and tinkering with cars.

Students who meet

the following criteria are eligible for awards:

- SAE-Chicago section automotive students enrolled in the engineering program at the University of Illinois-Chicago or Northern Illinois University;

- McPherson College (McPherson, Kansas) students pursuing historic automotive technology;

- Lyons Township (Illinois) High School automotive students enrolled in a post-secondary school to pursue a career in the automotive industry;

- Illinois or Texas students pursuing a career as an automotive technician and enrolled in any local community college that offers an automotive program or Universal Technical Institute;

- Northwood University students pursuing skills in car dealership management, marketing and communications.

The scholarships are offered in partnership with the TechForce Foundation, a nonprofit 501(c)(3) organization whose mission is to champion students to and through their education and into careers



John Weinberger

as professional technicians. To apply for one of the scholarships, visit www.DrivenToCare.org.

Recipients will be selected by TechForce representatives and a group of John’s “car buddies” in the Chicago and Austin areas known as the “lunch bunch.”

“We want young people to dream what they want to dream,” Lisa Weinberger, John’s wife, said about the creation of the scholarships. “John was able to turn his passion into his profession and was just so positive in everything he did. He measured success in smiles. He glowed.”

“I hope to see a glimmer of my husband in each and every one of these students. That would fill my heart with his light.”

A respected and influential force in the industry, John Wein-

berger served several terms on the boards of the Chicago Automobile Trade Association, the Illinois Automobile Dealers Association, and the American International Automobile Dealers Association. He also enjoyed racing and earned numerous podium finishes while competing in Sports Car Club of America events during the 1960s. His exploits led to his induction into the Road Racers Drivers Club, where he joined an exclusive group of famed drivers.

He also was a board member of the SCCA and an active member of various vintage racing clubs, including the Sports-car Vintage Racing Association, the Veloce Racing Association, the Vintage Sports Car Drivers Association, and Historic Sportscar Racing, LLC.

He continued racing until the age of 84, even taking to the track after he died at age 88 on Sept. 12, 2020, as Lisa Weinberger took the wheel of the hearse to lead a first-of-its-kind, high-speed funeral procession around the Circuit of the Americas race track in Texas.

The scholarships continue John and Lisa’s history of giving back to the community, which began with the Continental Motors Group “Driven to Care” car giveaway program. The program has donated nearly 100 refurbished cars to deserving individuals who have overcome challenges such as homelessness, substance abuse, and physical abuse.

“John wanted car dealers to be seen in a different light,” said Lisa Weinberger. “If every dealer in the country followed his example of reaching out to the community, of mentoring young people, and of providing networking opportunities, we could change a lot of things for the better.”

To learn more about John Weinberger and his history, visit www.johnweinberger-legacy.com.